

GROWAFRICA

**Rice in Africa:
a private sector perspective
October, 2018**

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Strategic Partnerships and Business
Development**

Background – why Grow Africa?

Many African governments have made strides in agricultural development

- Progress towards CAADP agricultural spending target of 10% of budget
- Creation of country delivery units and special initiatives



Bilateral, multilateral and private donors have increased support

- \$22B pledged from G8/G20
- G20 Global Agriculture and Food Security Program (GAFSP) increased funding by \$1B+ and has increased number of donors at the table



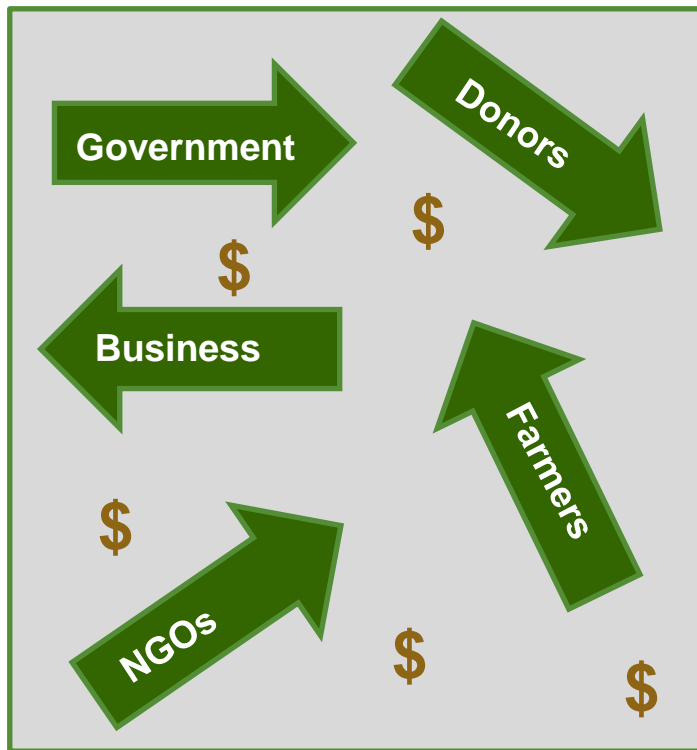
Private sector investment has lagged due to several barriers and risks

- Increasing focus from global companies but low current investment levels
- Political and economic stability risks
- Transportation & logistics challenges



From fragmentation to coordination and collaboration

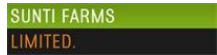
How can we go from this



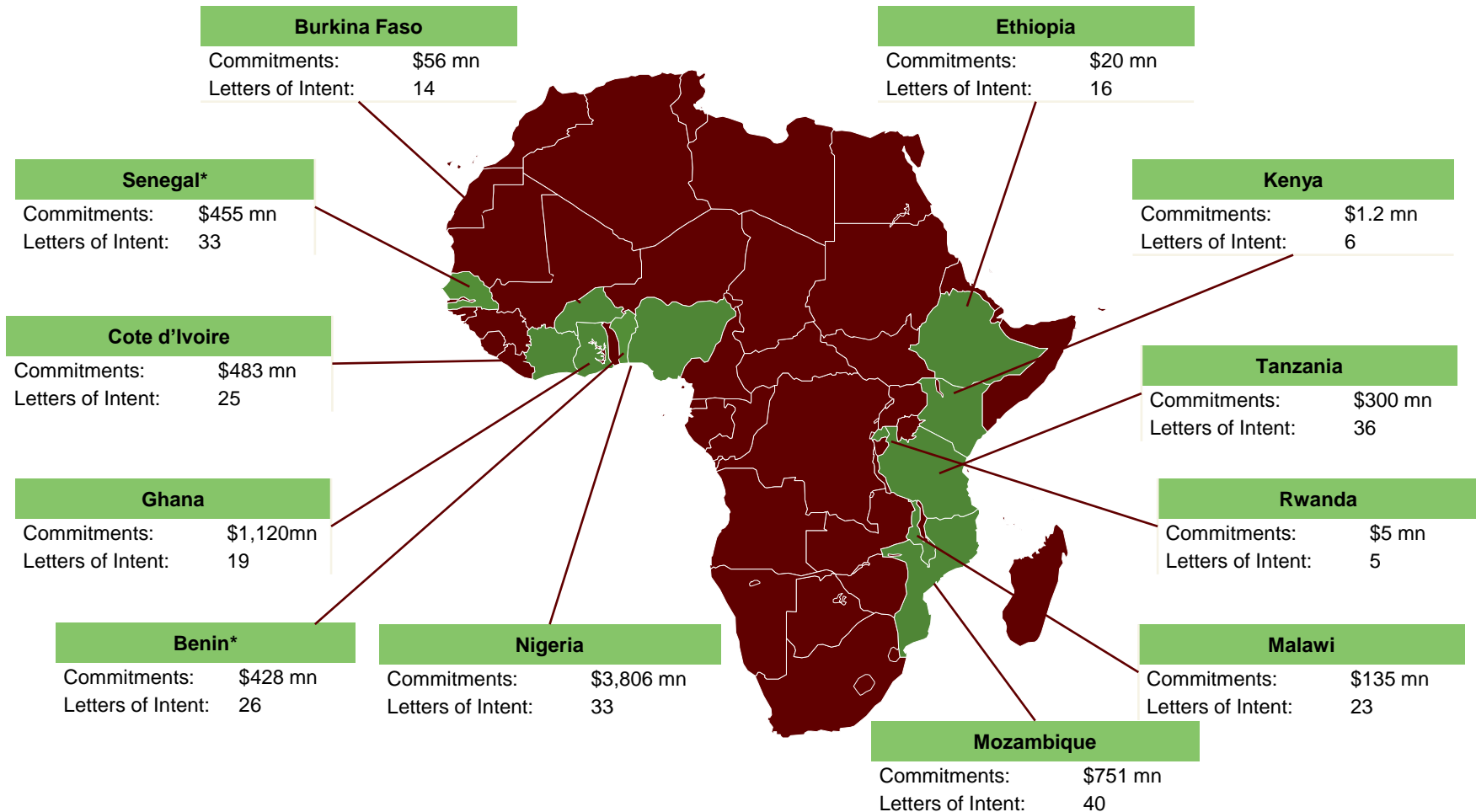
.... to this?



International and Africa-based food and agribusinesses have signed commitments to invest in African agriculture



Grow Africa works across 12 African countries with over 200 companies (70% African based) representing multiple \$ billions in actual and future investments



Grow Africa Private Sector Development Strategy, 1

CAP-F: Country Agricultural Partnership Framework:

Activities

Generate Investment Pipeline & Mobilize Investors

Close Deals

Showcase Investment Opportunities and Deals

CONVENE

Value Chain & Multistakeholder Platforms:

1. Establishment of MS Platforms
2. Value Chain analysis undertaken
3. Business Cases developed
4. Investment Opportunities identified
5. Investors matched with opportunities

FOCUS

CAP-F

1. Countries prioritized for CAP-F launch
2. Countries engaged
3. CAP-F Road Maps developed
4. CAP-F launched
5. CAP-F functioning
6. Deals developed and signed

SCALE

Investment Forum

1. Announce/sign deals
2. Showcase investment opportunities (Countries/MSPs)
3. Share best practices on CAP-F implementation/operation (Countries)
4. Showcase progress on value chain development
5. Offer platform to donor/strategic partners and other stakeholders

Outputs

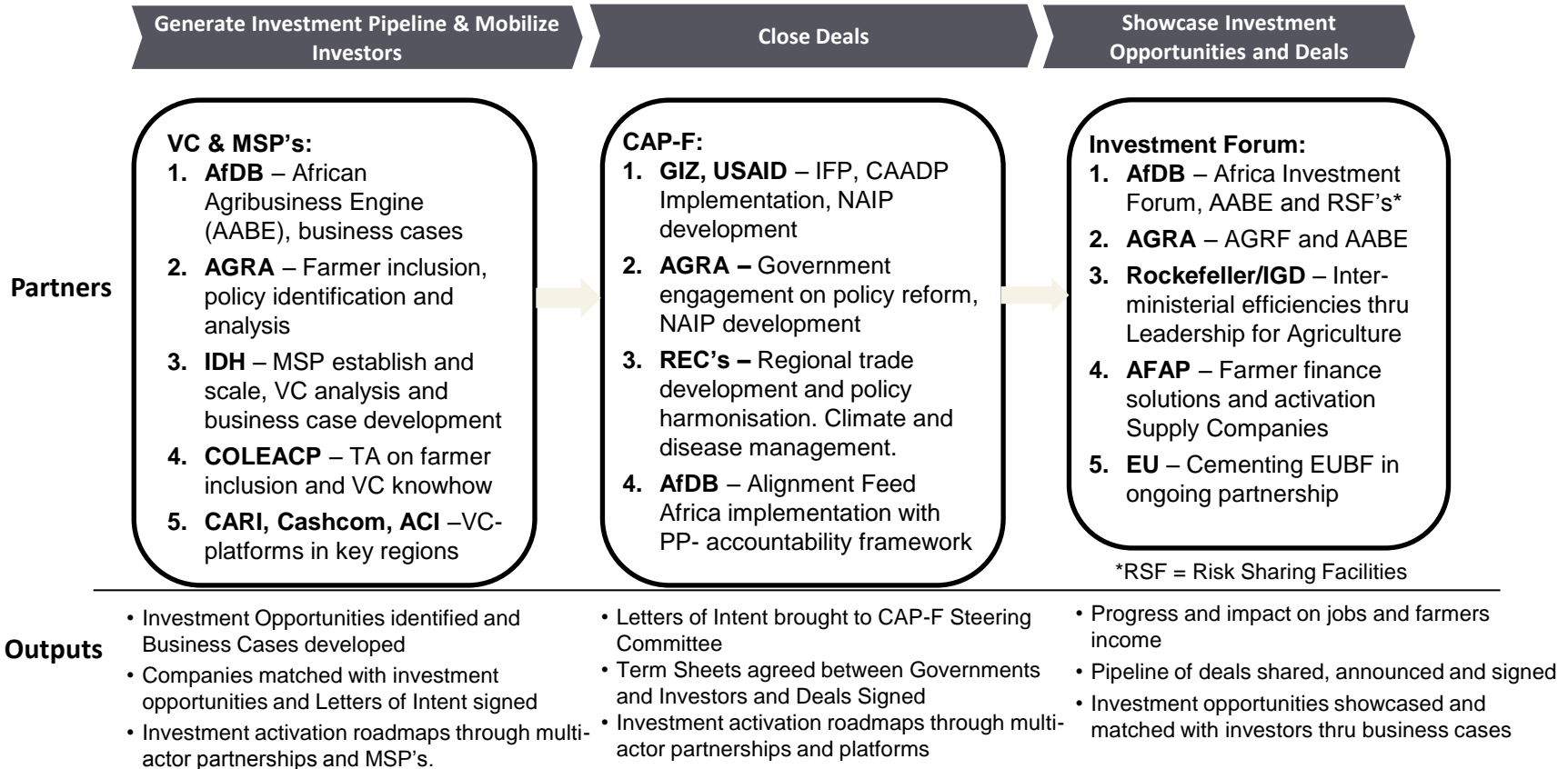
- Investment Opportunities identified and Business Cases developed
- Companies matched with investment opportunities
- Letters of Intent Signed

- Letters of Intent brought to CAP-F Steering Committee
- Term Sheets agreed between Governments and Investors
- Deals Signed

- Deals Announced/Signed
- Investment Opportunities Showcased
- Investors matched with opportunities or business cases
- Farmers

Grow Africa Private Sector Development Strategy, 2

We collaborate with Partners selected on the ability to help Grow Africa delivering operational goals:





\$10 billion committed

\$2.3 billion invested

**2.6 million smallholders
reached**

Grow Africa by 2020



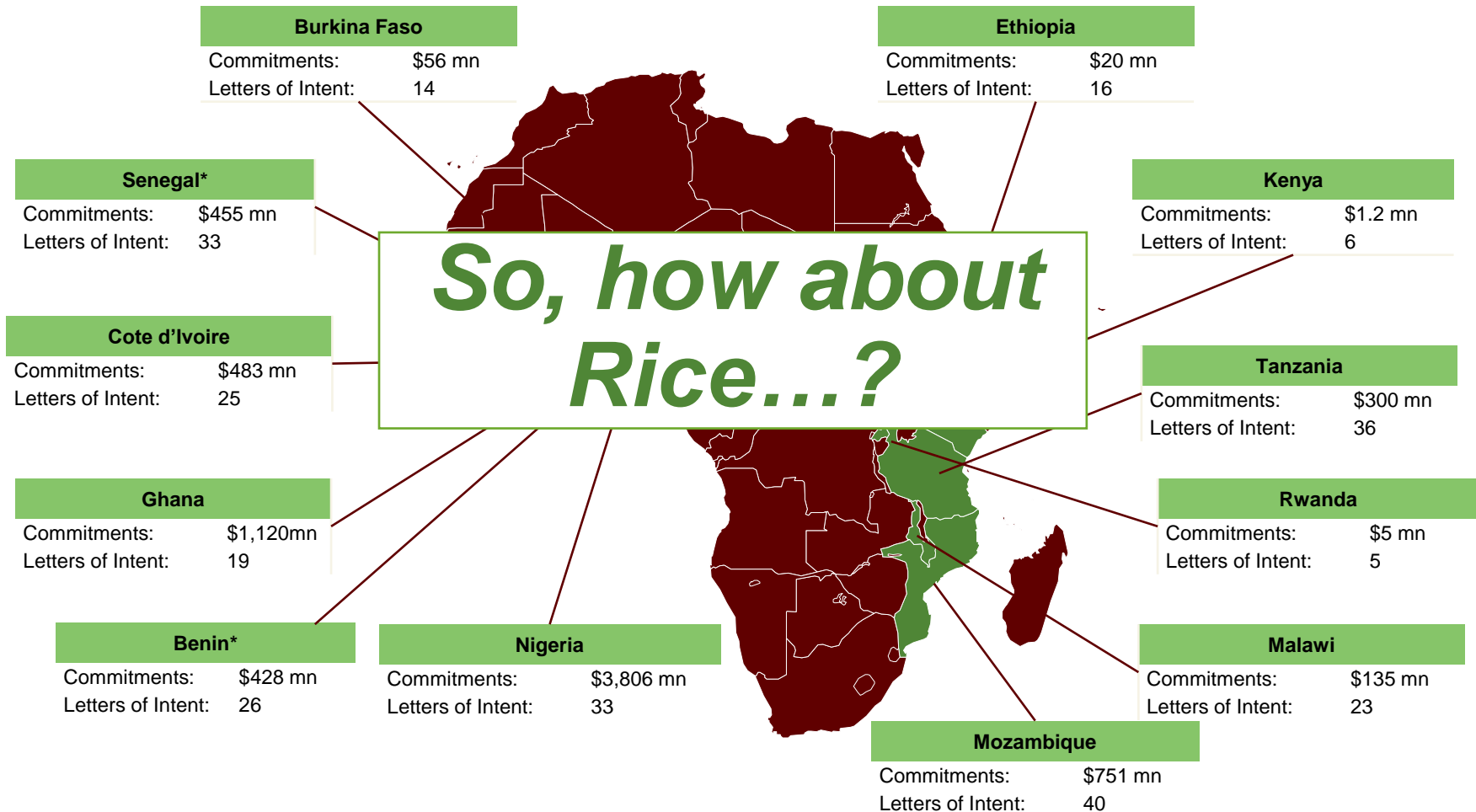
Investments
made (USD)

20
billion

Smallholders
impacted

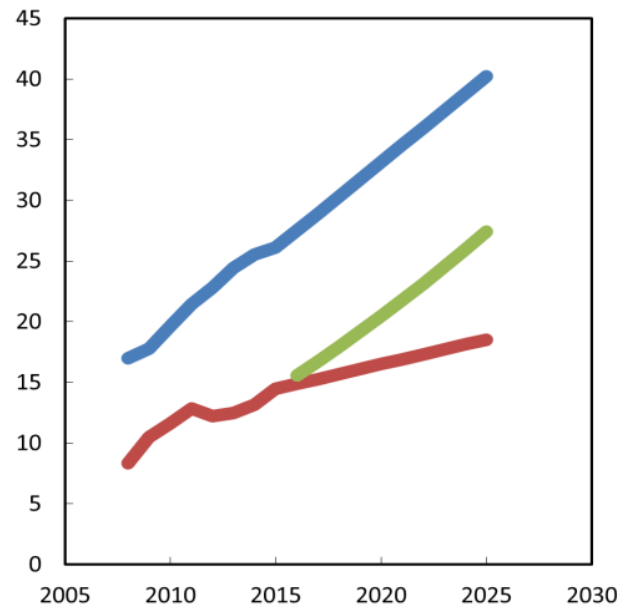
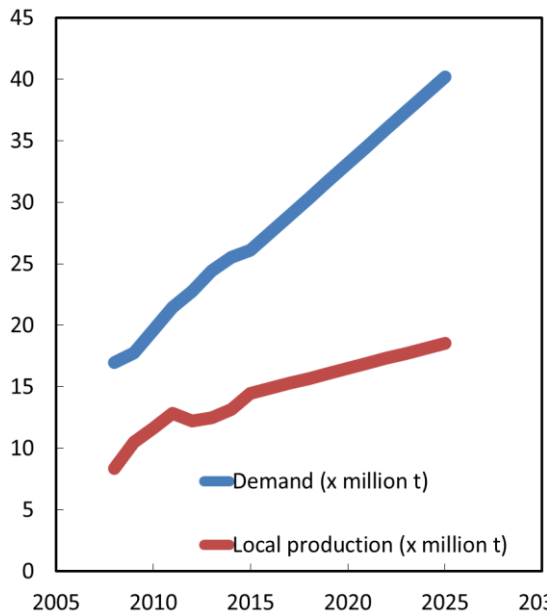
20
million

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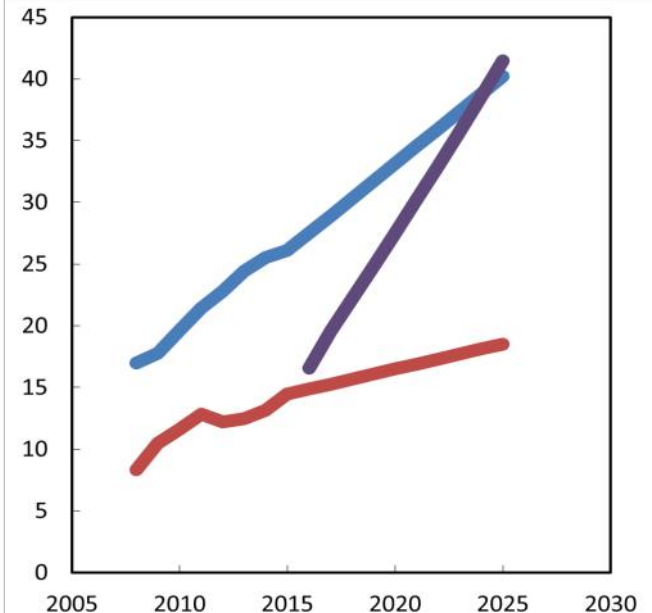


Rice:

To bridge the gap between local production and consumption yield gains and area expansion should happen simultaneously..



Source: AfricaRice. Region: African continent



Private sector is committing +\$2Bn investment in African Rice production. Some examples..

Company/organisation	Background - engagement history	Role in VC PPP	Priorities – next step
Louis Dreyfus Commodities (West-Africa)	<ul style="list-style-type: none"> Market leader in Ivory Coast 66% of all imports SDTM is their local subsidiary \$46M LOI to commit to backward integration 	<ul style="list-style-type: none"> Strong VC-expertise Global presence and network Core trader 	<ul style="list-style-type: none"> Implement roadmap Launch a PPP-platform in CIV
Olam Group (West-Africa)	<ul style="list-style-type: none"> Global commodity trader Strong Rice import position across West-Africa \$125M LOI to commit to local rice production 	<ul style="list-style-type: none"> Global presence and network Core trader 	<ul style="list-style-type: none"> Implementation roadmap Launch a PPP-platform
Platinum Group (West-Africa)	<ul style="list-style-type: none"> Market leader in Nigeria with 35% of all imports Stallion Group is their local subsidiary \$300M draft LOI to invest in local production 	<ul style="list-style-type: none"> Strong VC-expertise Global presence Core trader 	
Dangote Group (Nigeria)	<ul style="list-style-type: none"> Rice importer in Nigeria Strong, growing position in food supply chain \$1 Bn LOI to invest in local Rice production 		<ul style="list-style-type: none"> Engage for impact and engage in PPP-platform
Ebony Agro Ind. (Nigeria)	<ul style="list-style-type: none"> Local PPP enterprise Suffered from poor enforcement of tariffs \$20M LOI to invest in local rice production 	<ul style="list-style-type: none"> Member of NABG Member of PAN (processors) 	<ul style="list-style-type: none"> Engage in regional ppp-platform
Elephant Group (West-Africa)	<ul style="list-style-type: none"> Local PPP enterprise in Rice under NA Suffered from issues with land and farmers \$12.7M LOI (\$4.2M + \$8.5M) in rice production 	<ul style="list-style-type: none"> Regional player Active in Rice Importers Association 	<ul style="list-style-type: none"> Need to engage for impact Implement roadmap
... (CIV, Senegal)	<ul style="list-style-type: none"> Local PPP initiative under NA Rice trader \$175M (\$125M + \$50M) LOI in rice production 	<ul style="list-style-type: none"> Concession in CIV Well-connected in CIV Worldbank connections 	<ul style="list-style-type: none"> Launch a PPP Rice-platform for CIV Engage to create PPP-platform in Senegal
Umza Int. Farms (Nigeria)	<ul style="list-style-type: none"> Rice importer Suffered from poor enforcement of tariffs \$27M LOI in local rice production 	<ul style="list-style-type: none"> Active in NABG and Processing association 	<ul style="list-style-type: none"> Engage in regional ppp-platform

TENTATIVE SLIDE..

Key Constraints for the Private Sector in Rice Production:

1. Policy enforcement and consistency, both across-Region and in-country
 - Import quota,
 - Common, harmonized tariffs
 - Subsidisation
 - Protection (or the lack of it)
 - Standards
 - Transparency
 - Enforcement

2. Integrated, viable business models for domestic Rice production
 - Profitability and Value throughout the chain
 - Competition with other, highly subsidized regions
 - High volatility of international prices

3. Water infrastructure and inputs to boost yields/ha
 - Water versus Rainfed infrastructure provides a dramatic impact on productivity
 - Irrigation impacts choices of seeds and various GAP-protocols which need to be implemented and upheld rigidly

Value Chain logic for Private Sector: Increased stability through predictable, stable supply chains..

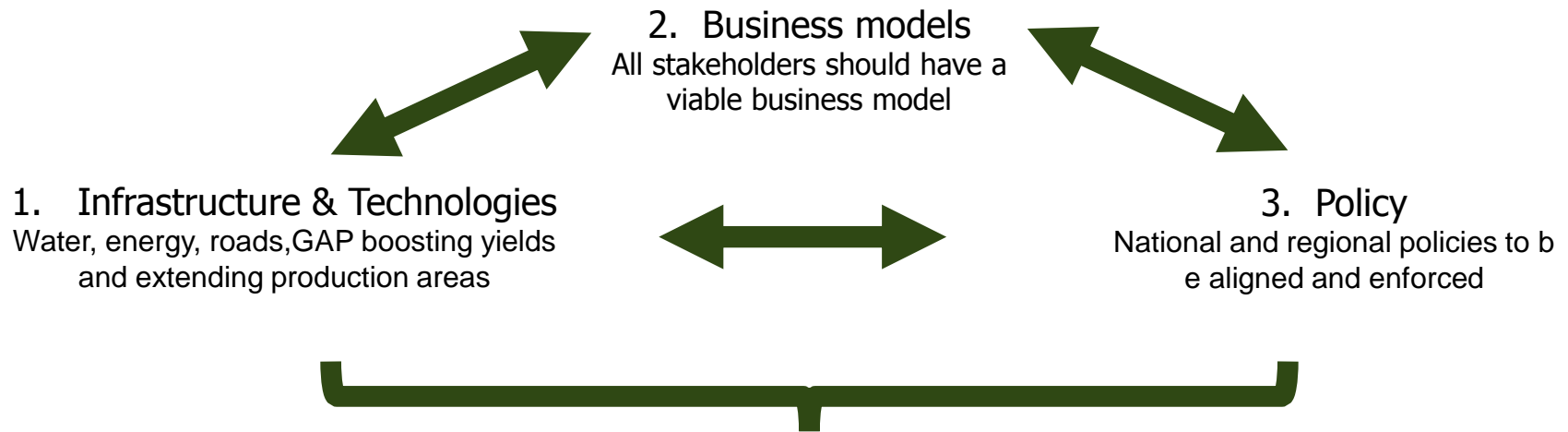


Increasing stability:

- Price and supply volatility of agricultural products and food have a major impact on food security.
- Consumers who spend a large portion of their income on food, high food prices can lead to increased poverty and hunger (and insurgence..).
- On the supply side, price fluctuations result in significant changes in revenues for producers from year to year and deferred or suboptimal investment decisions.

In effect, consumers, farmers, processing businesses and food retailers all benefit from **predictable, stable markets**.

In summary: To unlock and accelerate private sector investments and implementation in domestic Rice production in Africa, PPP/VC-partnerships are required to address 3 core constraints:



Rooted in national and agro-ecological/trade zone-based **multi-stakeholder partnerships**

Source: GAIF16, Cape Town

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Thank you

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Strengthening the Rice Value Chain across West Africa boosting local production through multi-stakeholder partnerships

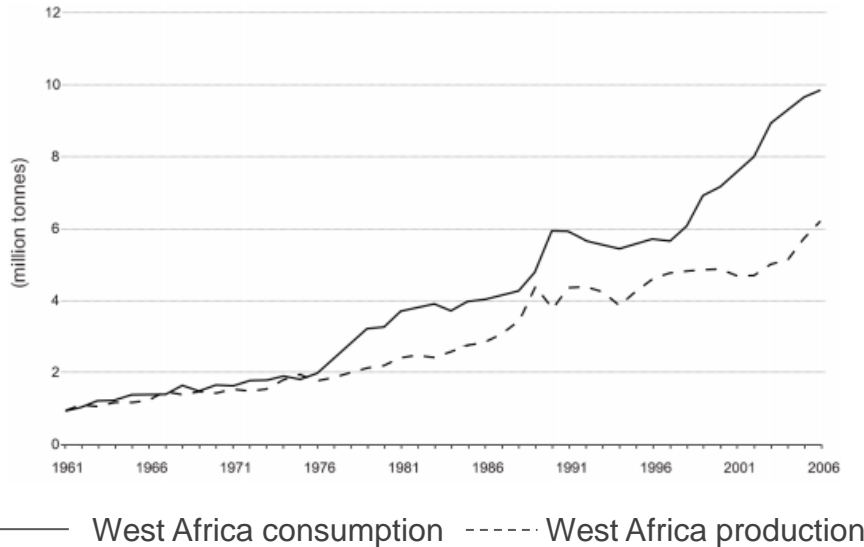


Back up Slides

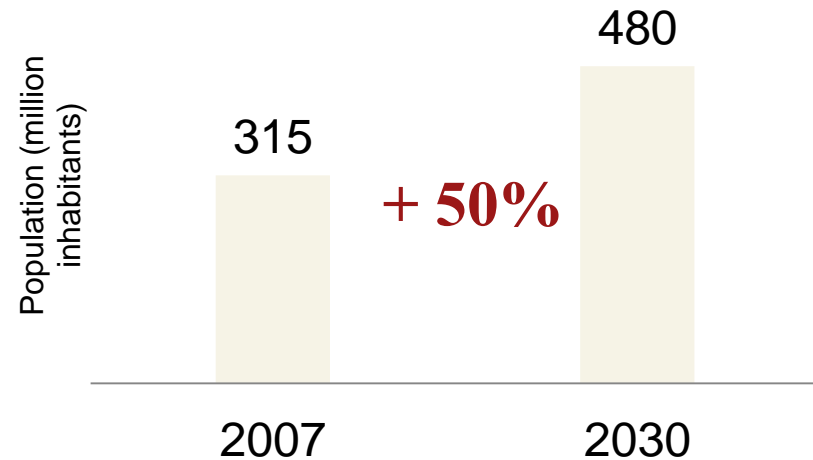
WHY? Because they see the gap between rice produced and rice consumed widening and the business opportunity (and threat) increasing..

Average consumption per capita per year in West Africa is 60 kg

Consumption is growing at a faster pace than local production

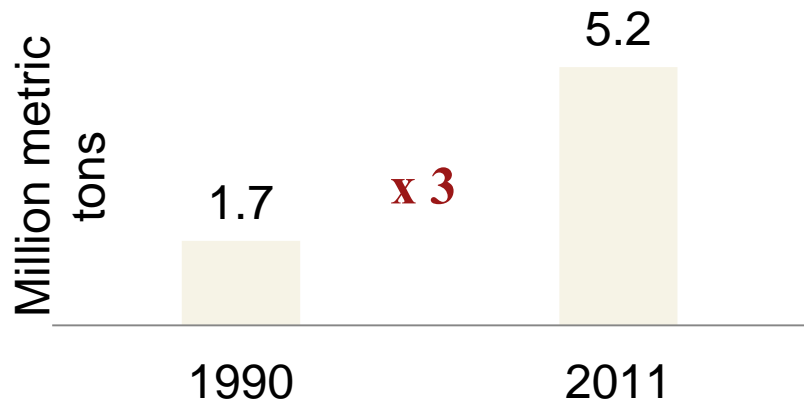


This gap is deepening with the high demographic growth rate

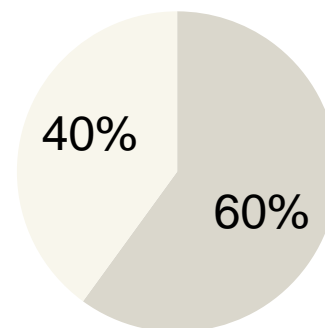


The proportion of imported rice is increasing for which consumers are often even willing to pay a premium as well..

Rice imports are growing at an alarming rate...



...and now cover 60% of West African demand



Food security issues were brought to light during the 2008 food crisis when import volumes dropped leading to shortages throughout West Africa

So why is this backward
integration not happening faster
and what should we do..?

Stocktaking feedback:

What are key Constraints for the Private Sector in Agribusiness?

- 1. Inputs** – Companies struggle to find inputs that are of the **quality** needed. At times, companies encounter **counterfeit inputs**, which, when distributed on large scale, could endanger their entire production. Tighter regulation of agricultural products would solve some of these issues.
- 2. Infrastructure** – Companies use significant portions of their budgets on infrastructure projects, drawing money away from their own operations. For example, diesel-powered generators are needed by companies to compensate for the **lack of reliable electrical current**. A **lack of reliable water** also is an issue. **Poor road infrastructure** means difficult market access. A **lack of local policing structures** for some regions makes security a serious concern for companies, some of which have had equipment stolen and even employees kidnapped. Companies resort to hiring their own security staff.
- 3. Recruiting competent personnel locally** – Like many high-growth economies, demand for technically skilled staff exceeds availability. The lack of **local technical expertise** on equipment repair and maintenance forces companies to attempt to bring in staff from outside. In addition, low levels of education in staff have at times resulted in **poor internal record keeping**.
- 4. Access to Finance** - Agriculture requires long term financing, however local financial institutions take a cautious view of the industry. As a result, companies encounter **cash flow problems** that hold up operations.

What are the key Constraints for the Private Sector in Rice Production...?

1. Policy enforcement and consistency, both across-Region and in-country

- Import quota,
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2. Integrated, viable business models for domestic Rice production

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- Water versus Rainfed infrastructure provides a dramatic impact on productivity
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FOCUS TOPICS..

- What are the rules of engagement for effective collaboration to drive the agenda for domestic Rice production in West-Africa?
- How can we create an empowered, regional public-private growth engine boosting West-African Rice production?
- What are effective (multi-country) approaches to address key constraints to reaching scale and to engage and commit both the public and private sector?

Rice Value Chain – Discussion Framework

WHY RICE?

- Biggest Food Security challenge in West-Africa for nutrition, self-sufficiency, smallholder income and economic growth
- GA enables +\$ 2Bn in (smart) private sector investments from (LOI-)companies for the West-African Rice agenda
- Impacts on +20 million farmer incomes, millions of new jobs and \$ 2,5 BN annual savings in foreign currency expenditures

WHAT HAS GROW AFRICA ACHIEVED TO DATE?

- Jan-May 2015 – feedback from key stakeholders, particularly LOI-companies, on the challenges of investing in rice production. Ivory Coast case study on PPP-model (May)
- June 2015 – Rice stakeholders and knowledge partners brought together at GAIF in Cape Town mapping out the issues for Rice in West-Africa. GA asked to take a lead
- **August-December- Partnership development process with AfricaRice, ECOWAS and CARI**
- **Multi-stakeholder platforms development process in Nigeria, BF and Ghana (with CARI), Senegal (with NEPAD) and CIV (with CGECI)**
- Rice Offensive Forum engagement with ECOWAS and AfricaRice
- **Agreement to pilot with 2 strategic LOI-companies on innovative, highly scalable SH-financing model**

KEY CONSTRAINTS TO REACHING SCALE:

- Policy enforcement and consistency, both across-Region and in-country
- Integrated, viable business models for domestic Rice production
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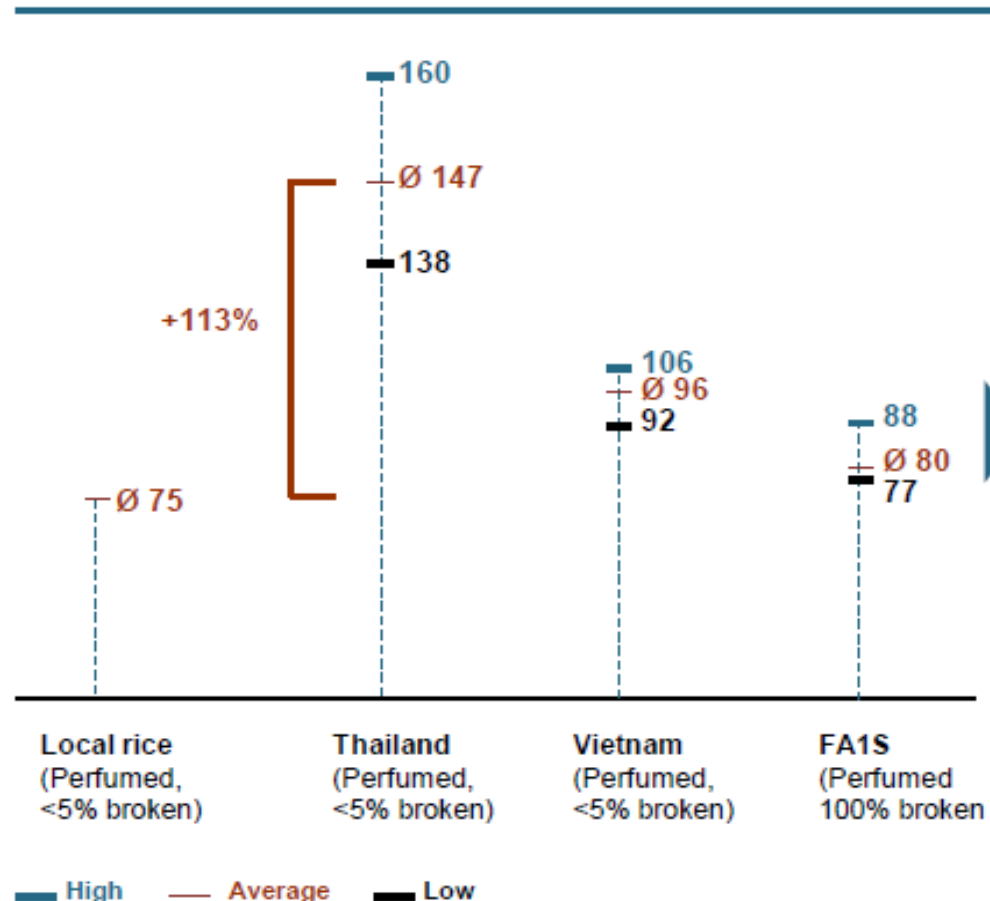
FOCUS TOPICS

1. How do we collaborate to drive the agenda for domestic Rice production in West-Africa?
2. What is the ideal platform for Grow Africa to play a regional facilitation role in boosting Rice production?
3. What are effective (multi-country) approaches to address key constraints to reaching scale and to engage and commit both the public and private sector?

Marketing of local rice offers a challenge..

Consumers are willing to pay a price premium of 113% for imported Thai rice over premium local rice

Market price of high quality milled rice in Ghana, 2012 [GH¢/50 kg bag]

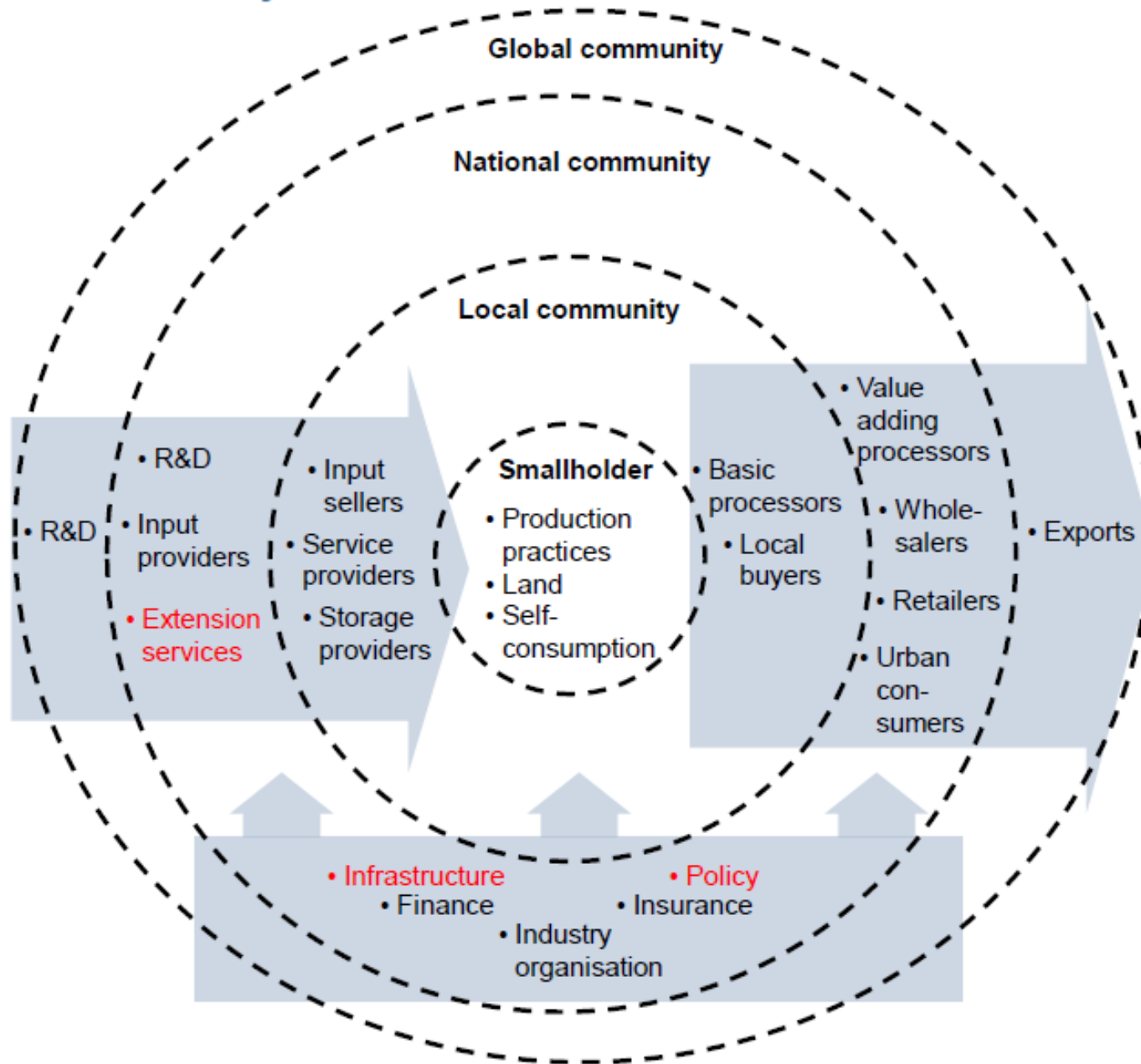


- Perceived quality is a major factor in consumer purchasing decisions and is the main reason why consumers prefer imported rice
- The reputation of local rice is associated with poor quality and it is priced at the level of 100% broken rice
- Urban markets (such as Accra and Kumasi) consume 75% of total rice in Ghana (both local and import rice) yet they only consume ~20% of local rice
- Local rice is rarely found in supermarket chains, whose shelves are dominated by imported rice varieties
- There is a need to improve local rice quality in Ghana to compete with imports and to launch a marketing campaign to advocate for consumption the higher quality local rice¹⁾
- Some importers, including Finatrade, buy local aromatic rice and repackage it for the local market

1) 2008 "Ghana Rice" marketing campaign led to increases in the reported purchase of Ghanaian rice

To help smallholders take advantage of these opportunities, we must support the entire rice ecosystem

Public sector led



BMGF will **both** work with **the market** to create a **demand pull** for more rice from smallholder farmers **and** with **other partners** to relieve **broader constraints** that the market will not be able to address

International and Africa-based companies with Letters of Intent to Invest



Seeds, fertilizer & crop protection

- AfricaGraines
- Agroseed
- Bayer CropScience
- Dengo Commercial
- DuPont
- Eastern Premier Feed Mills
- Lozane Farms
- Lusoem
- Panthochi Seed Company
- Syngenta
- Tanseed International
- Tropicasem
- UPL Advanta
- Yara
- Maslaha Seeds Limited
- Bytrade

Primary Production

- Africa Atlantic Holdings Ltd
- Agrisatch Benin Foods
- Sunti Farms
- Chikoa Fish Farm
- Citrefine Plantations
- The Coca-Cola Company
- Dominion Farms
- Empien Company
- Exagris Africa
- Ferme Adjehoda
- Frango King
- Free Range Farms
- Nestlé
- Nova Terra
- Omega Farms
- Pabari Group
- Pickou Export
- Intervalle
- African Food Company

Logistics, mechanization infrastructure & irrigation

- AGCO
- Jain Irrigation
- Negodis
- Netafim
- Toyo

Processing, trading, food & beverage

- Afri-Nut CoSupercare Group
- Barry Callebaut
- Bio Energy
- Copeol Senegal
- Heineken
- Hilina Enriched
- Les Grands Moulins de Dakar
- Malawi Mangoes
- Okata Farms and Food Processing
- Premium Foods
- SAB Miller
- Sunshine Nuts Limitada
- Unilever
- Louis Dreyfus Group
- Cargill
- CB Farm Fresh
- Diageo Plc
- La Pirogue bleue

Finance & Technology

- Agriaccess Ghana Limited
- Belstar Capital
- Rabobank
- Corvus Investments International
- CRDB Bank Plc
- Doreo Partners
- Ecobank
- Doreo Partners
- Morogoro Agricultural Group
- Opportunity International
- Orabank
- Standard Bank
- Swiss Re
- Techno Brain
- Vodafone
- Tigo
- JFS Holding
- Teylium
- Zemen Bank

Enabling private sector organizations

- African Cashew Initiative
- Agricultural Council of Tanzania
- Agora Limited
- CANNA-JP
- Global Shea Alliance
- Inter Coton
- National Association of Smallholder Farmers of Malawi
- World Cocoa Foundation
- Fondation Tonon
- International Development Group
- Competitive African Cotton Initiative
- APROMAC
- Empresa de Comercializacao Agricola (ECA)

Stakeholder mapping Rice West-Africa: Private sector committing +\$2Bn investment

Company/organisation	Background - engagement history	Role in VC PPP	Priorities – next step
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Dangote Group (Nigeria)	<ul style="list-style-type: none"> Rice importer in Nigeria Strong, growing position in food supply chain \$1 Bn LOI to invest in local Rice production 	<ul style="list-style-type: none"> Leading, African conglomerate Active in NABG (Chairman) 	<ul style="list-style-type: none"> Need to engage for impact Involve and engage in PPP-platform
Ebony Agro Ind. (Nigeria)	<ul style="list-style-type: none"> Local PPP enterprise in Rice under NA Suffered from poor enforcement of tariffs \$37M LOI to invest in local rice production 	<ul style="list-style-type: none"> Processor Active in RiPaN (processors) & NABG 	<ul style="list-style-type: none"> Engage in regional ppp-platform
Elephant Group (West-Africa)	<ul style="list-style-type: none"> Rice importer in West-Africa wants to engage in PPP enterprise under NA \$300M LOI to invest in local rice production 	<ul style="list-style-type: none"> Regional player Active in Rice Importers Association 	<ul style="list-style-type: none"> Need to engage for impact Implement roadmap
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Intervalle (CIV, Senegal)	<ul style="list-style-type: none"> Local PPP initiative under NA Rice trader \$175M (\$125M + \$50M) LOI in rice production 	<ul style="list-style-type: none"> Innovative smallholder collaboration model Well connected 	<ul style="list-style-type: none"> Launch a PPP-platform for CIV and Senegal Define and Implement funding and investment roadmap (business plan)
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